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SUBJECT: FRAUD SUMMARY - TALLINN: MAR - AUG 2008

REF: A) 07 TALLINN 938 B) 07 STATE 83571 C) STATE 74840

Paragraphs below are keyed to Reftel C.

11. COUNTRY CONDITIONS: Economic growth in Estonia, previously running at over 10% per year, has ground to a halt in recent months, causing concern among economic analysts and the general public, and forcing cuts in the state budget. The previously booming real estate sector has been particularly hard hit. In addition, double-digit inflation, currently around 11 percent per year, continues to place pressure on Estonian households. Unless the economy quickly recovers, ongoing labor shortages could ease. Nevertheless, Estonia faces long-term labor shortages as a result of declining birth rates, outsourcing of Estonia's labor-pool to other parts of the EU, and general resistance to immigration as a means to fill labor gaps. Unemployment for calendar year 2007 was estimated at 5.2 percent nationally, but varied considerably from region to region, with higher unemployment notable in the Russian-speaking northeastern parts of the country. In most Estonian families, both husband and wife are employed.

A large Russian-speaking minority (more than one quarter of the population) resides in Estonia, concentrated primarily in the northeast of the country (including the city of Narva), as well as larger population centers such as Tallinn and, to a lesser extent, Tartu. Significant divisions between the Russian-speaking minority and the Estonian majority remain, as evidenced by the disturbances that followed the GoE's decision to relocate a Soviet-era, World War II Memorial in April 2007 (reftel A). Public and GOE discussion of integration issues increased significantly immediately following the riots, leading the GoE to modify its 5-year integration strategy, approved in April 2008.

Presently, over 100,000 persons in Estonia are considered stateless and travel on Estonian-issued "alien passports," also known as gray passports, which accord some travel privileges to EU and Schengen countries but not the same as those guaranteed to Estonian passports. The number of stateless persons is decreasing steadily, although a new regulation in Russian law, allowing stateless passport holders from Estonia to travel visa-free to Russia, may slow this process. The Estonian government has made certain changes to its naturalization exam in order to respond to criticism that the test is too difficult.

Although a considerable number of persons living in Estonia carry Russian or gray (stateless alien) passports, Estonian passport holders continue to make up a disproportionate number of Post's NIV applicants. For the period covered by this report (March - August 2008), 92.6 percent of Posts' NIV applicants held Estonian passports, 2.4 percent stateless alien passports, 3.5 percent Russian passports, and 1.5 percent passports from some other country. Estonia has issued machine-readable passports since February 2002, a photo-digitized since May 2005 and an E-passport with biometric data chip since May 2007. Alien passports are made

to the same standard as the Estonian citizen passports.

The volume of Estonian travel to the United States is relatively low, due largely to the country's small population, and the relatively small Estonian-American population in the United States. Moreover, no direct, commercial flights exist between Estonia and the United States. A weaker dollar, however, has made travel to the U.S. more attractive and affordable for Estonians. In addition, an Estonian travel agency took advantage of a temporary glitch in the worldwide airline reservation system in late August 2008 to offer round-trip flights to the United States (including multiple stops in the U.S.) for the equivalent of only \$400, resulting in a surge of travel bookings for late 2007 and early 2008.

Russian and Estonian organized crime groups exist in Estonia and members sometimes seek U.S. visas.

(SBU) NB: As of March 30, 2008 Estonia is a fully integrated member of the Schengen area. The transition has passed smoothly, though some worry that a lack of human capital in the Border services will undermine the country's ability to police its borders. GoE officials, however, express confidence that Estonia retains satisfactory control in tracking of mala fide travelers who enter Estonia from other Schengen countries.

¶2. NIV FRAUD: No significant changes from the previous fraud summary. Post continues to verify suspicious applicant-provided information using various online resources, including but not limited to Lexis-Nexis, CCD, and Estonian search mechanisms to verify personal, financial and business information. While no significant NIV fraud was detected, Post has encountered a handful of applicants trying to enter under false pretenses by using illegitimate contact data.

TALLINN 00000348 002 OF 002

Consular Section FSNs regularly review local newspapers to seek names of persons in Estonia involved in crime, so that lookouts can be entered into CLASS. These efforts regularly pay off. For example, information entered in 1998 based on a newspaper article listing a number of Estonians arrested for drug trafficking bore fruit when one of the individuals recently applied for a visa. The applicant insisted that he had no criminal past, until he was confronted with the newspaper article.

¶3. IV FRAUD: To date, no fraud has been detected among IV applicants in Tallinn. Post began full IV and DV processing in May 2007.

¶4. DV FRAUD: See above regarding IV fraud.

¶5. ACS AND PASSPORT FRAUD: None detected since previous fraud summary.

¶6. ADOPTION: No change from previous fraud summary.

¶7. ASYLUM AND OTHER DHS FRAUD: No changes from previous fraud summary.

¶8. COOPERATION WITH HOST GOVERNMENT AUTHORITIES: Host country security services continue to provide information about persons and businesses with potentially criminal elements. Post continues to see NIV applicants whose potential ineligibilities would not be uncovered without this ongoing information sharing. Additionally, the GoE continues to feed data into Post's fully automated reporting of Estonian lost and stolen passports (reftel B).

(SBU): Estonia continues its drive to enter the Visa Waiver Program (VWP). Estonia has taken all substantive steps for inclusion in the program, including the sharing of lost/stolen passport information (see reftel B), as well as the signing of agreements relating to sharing of information on potential terrorists and criminal activity. Post is preparing outreach activities in advance of a possible announcement of Estonia's formal participation in the VWP. A Department of Homeland Security team visited to Estonia in 2008 as part of the negotiations process to review, among other things, border and airport security. Upon leaving, team members expressed a

favorable view of its findings regarding Estonia's customs and border infrastructure.

¶9. AREAS OF PARTICULAR CONCERN: With Estonia now part of the Schengen zone, there is concern that illegal immigration into Estonia may increase as the country provides a gateway to onward passport-free travel to other parts of the EU. There is also concern that Third country nationals will try to use fraudulent Estonian travel documents to enter other Schengen countries, although there has been no evidence of this to date.

¶10. STAFFING AND TRAINING: The Consular Section consists of two officers and two FSNs. The Section is currently seeking to fill a vacancy for a Consular Assistant. Everyone assists with fraud prevention work. Both officers have completed PC-541 Fraud Prevention for Consular Managers. The Visa Assistant has recently completed PC-542 FSN Fraud Prevention.

PHILLIPS